



## AMERICANS *for* TAX REFORM

Grover G. Norquist  
*President*

1920 L Street NW

Suite 200

Washington, DC

20036

T: (202) 785-0266

F: (202) 785-0261

[www.atr.org](http://www.atr.org)

# Fact: The Pelosi-Obama-Reid “Tax Cut” Is Largely Just Spending

- The Pelosi-Obama-Reid regime likes to say they’re giving “tax cuts” to “hundreds of millions of American families.” The method of choice is “refundable tax credits.” **Under their plan, even those with \$0 income tax liability would receive a check from the government.** Thanks to income eligibility phase-outs, many of the recipients of refundable tax credits are low- and moderate-income families with little or no income tax liability
- According to the IRS, 46 million of the 138 million tax returns filed (33 percent) have no income tax liability. **Yet these 46 million households would still be able to receive refundable credits, despite having zero income tax liability<sup>1</sup>**
- Pelosi-Obama-Reid often respond that these families have payroll tax (Social Security and Medicare tax, otherwise known as “FICA”) liabilities, so refundable credits are meant to “refund” these taxes
- Citing payroll taxes is a willful intent to mislead. Under current tax rules, the refundable Earned Income Credit and Additional Child Tax Credit already remove both income and payroll tax liability for 15 million filers (or 11 percent of families). These people neither have an income tax liability nor a payroll tax liability, yet would be getting a “tax cut” under Pelosi-Obama-Reid<sup>2</sup>,
- For some taxpayers, a refundable credit may reduce federal income tax owed. For others, it may be totally free money. For still others, it might zero out tax liability, with the rest being free money. **The point is that *all* refundable credits are tax cuts for some, but free money for most.** Congressional Democrats’ official tax scorekeeper, the Joint Tax Committee, calls the spending parts of refundable credits “outlay effects” and the tax cut parts “revenue effects.” Thus, even JCT admits that refundable credits are largely spending
- So the next time Pelosi-Obama-Reid touts a big tax cut, ask how much of it is actually just spending money on people who don’t pay taxes.

For more information, contact Ryan Ellis at ATR by emailing him at [rellis@atr.org](mailto:rellis@atr.org)

<sup>1</sup> Internal Revenue Service. “Statistics of Income.” Tax Year 2006, Table 2.

<sup>2</sup> Data obtained by Joint Tax Committee via GOP Staff of House Ways and Means Committee